



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HENDERSON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Sandy L. Watkins, Henderson County Judge/Executive

Members of the Henderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Henderson County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Henderson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Henderson City-County Planning Commission. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Henderson City-County Planning Commission, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Henderson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Sandy L. Watkins, Henderson County Judge/Executive

Members of the Henderson County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Henderson County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of June 30, 1999, in conformity with the cash basis of accounting described above.

In our prior year audit report, we were unable to issue an opinion on the Jail Commissary Fund due to lack of evidence supporting receipts and expenditures of the Jail Commissary Fund. During our current year exit conference with Miles E. Hart, Henderson County Jailer, he presented us with evidential matter supporting 21 expenditures out of the 29 expenditures that could not be located as of June 16, 1999. However, we are unable to change our opinion in our prior year audit report.

Our audit was performed for the purpose of forming an opinion on the financial statements of Henderson County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The Fiscal Court Should Adopt An Administrative Code
- The Jailer Implemented Additional Internal Controls And Improved The Accounting System Of The Jail Commissary Fund After June 30, 1999
- The Jailer Implemented Proper Budgetary Procedures For The Jail After June 30, 1999

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2000, on our consideration of Henderson County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
April 21, 2000

HENDERSON COUNTY OFFICIALS

June 30, 1999

Sandy L. Watkins	County Judge/Executive
Charles R. McCollom III	County Attorney
Wilma G. Martin	County Clerk
William T. Burton	Circuit Court Clerk
Dennis Clary	Sheriff
Miles E. Hart	Jailer
Steve Hargis	Property Valuation Administrator
Rebecca Carroll	County Treasurer
Dr. Donald A. Cantley	Coroner
Joe H. Pruden	Magistrate
James C. Hicks, Jr.	Magistrate
Charles G. Alexander	Magistrate
Donald Hugh McCormick, Jr.	Magistrate
Beverly R. Key	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

HENDERSON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:

Cash	\$ 69,238
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Investments	3,175,000
-------------	-----------

Notes Receivable (Note 4)	30,240
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Road and Bridge Fund:

Cash	195,768
------	---------

Jail Fund:

Cash	374,386
------	---------

Jail Commissary Fund:

Cash	31,132
------	--------

Local Government Economic Assistance Fund:

Cash	16,818
------	--------

Dry Hydrant Fund:

Cash	5,791
------	-------

Cemetery Fund:

Cash	1,410
------	-------

Investments	26,326
-------------	--------

Public Properties Corporation Fund:

Cash	610
------	-----

Payroll Fund:

Cash	42,573
------	--------

Other Resources

General Fund:

Amounts to be Provided in Future Years for Capital Lease Principal Payments - Vehicles (Note 5)	49,948
---	--------

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal Payments - Detention Center (Note 6)	6,145,000
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Total Assets and Other Resources

	\$ 10,164,240
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HENDERSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1999
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Deferred Revenue (Note 4)	\$ 30,240
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Principal Payments - Vehicles (Note 5)	49,948
--	--------

Public Properties Corporation Fund:

Bond Principal Payments (Note 6)	6,145,000
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Fund Balances

Reserved:

Jail Commissary Fund Profits	10,290
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Jail Commissary Fund - Prisoner Balances	20,842
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Payroll Fund	42,573
--------------	--------

Cemetery Fund	27,736
---------------	--------

Dry Hydrant Fund	5,791
------------------	-------

Public Properties Corporation Fund	610
------------------------------------	-----

Unreserved:

General Fund	3,244,238
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Road and Bridge Fund	195,768
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Jail Fund	374,386
-----------	---------

Local Government Economic Assistance Fund	16,818
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Total Liabilities and Fund Balances	<u>\$ 10,164,240</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HENDERSON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 10,290,144	\$ 5,174,614	\$ 1,350,445	\$ 3,303,116
Transfers In	2,350,850		1,200,000	150,000
Public Properties Corporation	2,297			
Cemetery Fund	1,335			
Jail Commissary Fund	374,082			
Total Cash Receipts	<u>\$ 13,018,708</u>	<u>\$ 5,174,614</u>	<u>\$ 2,550,445</u>	<u>\$ 3,453,116</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 9,744,462	\$ 3,870,169	\$ 2,405,771	\$ 2,614,840
Transfers Out	2,350,850	1,720,000		550,850
Bonds:				
Principal Paid	245,000			
Interest Paid	335,900			
Jail Commissary Fund Expenditures	373,164			
Total Cash Disbursements	<u>\$ 13,049,376</u>	<u>\$ 5,590,169</u>	<u>\$ 2,405,771</u>	<u>\$ 3,165,690</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (30,668)</u>	<u>\$ (415,555)</u>	<u>\$ 144,674</u>	<u>\$ 287,426</u>
Cash Balance - July 1, 1998*	<u>3,927,147</u>	<u>3,659,793</u>	<u>51,094</u>	<u>86,960</u>
Cash Balance - June 30, 1999*	<u>\$ 3,896,479</u>	<u>\$ 3,244,238</u>	<u>\$ 195,768</u>	<u>\$ 374,386</u>

* Cash Balance Includes Investments

HENDERSON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1999
 (Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	Dry Hydrant Fund	Cemetery Fund	Public Properties Corporation Fund
\$	\$ 461,850 450,000	\$ 119	\$	\$ 550,850 2,297
			1,335	
374,082				
\$ 374,082	\$ 911,850	\$ 119	\$ 1,335	\$ 553,147
\$	\$ 853,682 80,000	\$	\$	\$
				245,000 335,900
373,164				
\$ 373,164	\$ 933,682	\$ 0	\$ 0	\$ 580,900
\$ 918 30,214	\$ (21,832) 38,650	\$ 119 5,672	\$ 1,335 26,401	\$ (27,753) 28,363
\$ 31,132	\$ 16,818	\$ 5,791	\$ 27,736	\$ 610

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Henderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund, the Henderson County Public Properties Corporation, and the Henderson City-County Planning Commission as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Henderson County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 1999, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

HENDERSON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1999
 (Continued)

Note 3. (Continued)

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Repurchase Agreements	\$ 1,425,000	\$ 0	\$ 0	\$ 1,425,000	\$ 1,425,000

Note 4. Receivable

The county loaned \$50,400 to the Henderson County Water District on December 31, 1985, for the purpose of constructing water lines to the communities of Reed and Beels. Terms of the agreement stipulate a 20-year repayment schedule. Under the terms of the agreement, no interest is charged on the outstanding balance. The Henderson County Water District is in substantial compliance with the terms of the agreement. As of June 30, 1999, principal balance due was \$30,240.

Note 5. Lease-Purchase Agreement

The county has entered into the following capital lease-purchase agreement.

Vehicles for the county Sheriff's office

Fiscal Year	Interest	Principal	Total
1999-2000	\$ 2,201	\$ 17,535	\$ 2,201
2000-2001	1,265	18,245	1,265
2001-2002	311	14,168	311
Totals	\$ 3,777	\$ 49,948	\$ 3,777

Note 6. Long-Term Debt

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

The Henderson County Public Properties Corporation entered into a new bond issue, Henderson County Public Properties Corporation Lease Revenue Bonds (Detention Center Project) Series 1995 on June 29, 1995, for the purpose of paying the cost of constructing a new county detention facility and the cost of issuance of the bonds. The issue amount of the bonds was \$7,060,000. The corporation and the county have entered into an annually renewable lease, dated June 1, 1995, wherein the county shall lease the detention facility from the corporation at an agreed rental of which will be used to pay the principal and interest on the bonds.

The Henderson County Public Properties Corporation entered into a lease agreement with the county in which the county will lease from the corporation the detention facility in the amount of the aggregate of the interest on and principal of the bonds, which are due and payable during the lease period, the cost of operation and maintenance of the project, the cost of insuring the project and the annual trustee fee. Rental payments are due semiannually on May 20 and November 20 of each year. The interest rate on the bonds is 5%. The outstanding balance as of June 30, 1999 was \$6,145,000.

The following represents future maturities of long term debt:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1999-2000	\$ 323,650	\$ 260,000
2000-2001	310,650	270,000
2001-2002	297,150	285,000
2002-2003	282,900	300,000
2003-2004	267,900	315,000
Later Years	<u>1,669,100</u>	<u>4,715,000</u>
Totals	<u>\$ 3,151,350</u>	<u>\$ 6,145,000</u>

Note 7. Commitments and Contingencies

A. Industrial Revenue Bonds

The Henderson County Fiscal Court has adopted ordinances approving the issuance of Industrial Revenue Bonds and Pollution Control Bonds. Such bond issues do not constitute a general debt, liability, or moral obligation of Henderson County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of these various bond issues.

Note 7. (Continued)

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

B. Ambulance Service Agreement

In April 1983, Henderson County, along with the City of Henderson, entered into an agreement with Community Methodist Hospital for the operation of a county-wide ambulance service. The hospital agreed to operate the ambulance service with both the city and county reimbursing the hospital for any operating loss incurred on a quarterly basis. Expenses incurred under this arrangement for fiscal year ended June 30, 1999 were \$93,181.

C. Solid Waste Interlocal Agreement

In response to KRS 224.830 and reducing solid waste stream at municipal landfills by 25%, Henderson County entered into an interlocal agreement with Union and Webster Counties and the Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expenses of this organization. The county is responsible for 22.5% of the Solid Waste Recycling Facility and Program operating expenses. Expenses incurred under this agreement for fiscal year ended June 30, 1999 were \$15,055.

D. Tri-County Interlocal Agreement for a New Water and Wastewater Treatment Facility

Henderson County entered into an interlocal agreement with Webster and McLean Counties, the City of Henderson, and the City of Henderson Water and Sewer Commission. The local governments agreed to supplement the City of Henderson Water and Sewer Commission's debt service on the Water and Wastewater Treatment Facility in southern Henderson County on an equal basis should the excess revenues generated by the facility be less than the amount necessary to fund the debt service required for the related facility. There were no expenses incurred by the county for fiscal year ended 1999.

E. Solid Waste Transfer Station Interlocal Agreement

Henderson County entered into an agreement with the City of Henderson to fund 50% of the construction and operation of a solid waste transfer station to be used in the collection and disposal of solid waste collected within the city and county. The agreement is for a five-year period, beginning July 1, 1995 and ending June 30, 2000, with the option to renew for four, consecutive, five-year terms unless written notice is provided by either party. The county's portion of operational costs for fiscal year ended June 30, 1999 was \$367,173.

Note 8. Insurance

For the fiscal year ended June 30, 1999, the county was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. (Continued)

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

The county was insured by Kentucky All Lines Fund (KALF) in years prior to 1996 and received a memorandum dated June 30, 1996 from the Kentucky Department of Insurance which stated that the KALF had a potential deficit. The KALF was ordered to raise additional premiums to increase program reserves for claims that occurred prior to December 31, 1995. Because the county was a participant at this time, the county is responsible for \$47,161 additional premiums which represents the county's share of the potential deficit. The county was required to make three annual payments of \$15,720 beginning June 30, 1997. As of June 30, 1999, the county had remitted two of the annual premium payments, leaving an outstanding liability of \$15,720. The county paid the final premium payment on July 20, 1999.

Note 9. Subsequent Events

On June 25, 1999, the Courts Facilities Standards Committee voted to give Henderson County preliminary approval for construction of a judicial center. This approval is contingent upon the review of the plans by the National Center for State Courts. The county anticipates a bond issuance of approximately \$8,650,000 to provide the necessary funds to finance the judicial center.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HENDERSON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 2,322,580	\$ 5,174,614	\$ 2,852,034
Road and Bridge Fund	2,277,828	1,350,445	(927,383)
Jail Fund	3,177,661	3,303,116	125,455
Local Government Economic Assistance Fund	1,017,866	461,850	(556,016)
Dry Hydrant Fund	100	119	19
Totals	<u>\$ 8,796,035</u>	<u>\$ 10,290,144</u>	<u>\$ 1,494,109</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 8,796,035
Add: Budgeted Prior Year Surplus			1,936,457
Less: Other Financing Uses			<u>(550,850)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 10,181,642</u>

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SCHEDULE OF OPERATING REVENUE

HENDERSON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 1,355,953	\$ 1,355,953	\$	\$
Fees	653,043	653,043		
County Clerk:				
Deed Transfer Tax	103,464	103,464		
Delinquent Taxes	51,049	51,049		
Fees	898,282	898,282		
Alcohol Beverage Tax	5,250	5,250		
County Attorney - Fees	71,777	71,777		
Tangible Personal Property Taxes:				
County Clerk	179,148	179,148		
Industrial Bond Fees	86,665	86,665		
Tourist Room Tax	138,646	138,646		
Insurance Premium Tax	908,470	908,470		
In Lieu of Taxes:				
Tennessee Valley Authority	1,322	1,322		
U.S. Treasurer	606	606		
Totals	<u>\$ 4,453,675</u>	<u>\$ 4,453,675</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Federal Disaster and Emergency Services - Emergency Management				
Agency Reimbursement	\$ 4,783	\$ 4,783	\$	\$
Community Oriented Policing Services Grant - Sheriff	110,376	110,376		
Totals	<u>\$ 115,159</u>	<u>\$ 115,159</u>	<u>\$ 0</u>	<u>\$ 0</u>

HENDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local	
Government	
Economic	Dry
Assistance	Hydrant
<u>Fund</u>	<u>Fund</u>

\$	\$
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<u>\$</u>	<u>0</u>	<u>\$</u>	<u>0</u>
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\$	\$
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<u>\$</u>	<u>0</u>	<u>\$</u>	<u>0</u>
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HENDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 297,427	\$	\$	\$ 297,427
Medical Allotments	20,773			20,773
Driving Under The Influence Fee	11,495			11,495
Housing State Prisoners	2,419,688			2,419,688
Court Costs and Jail Operation	232,060			232,060
Juvenile Holding	33,580			33,580
Unclaimed Bail Fee Transfer	7,670			7,670
County Road Aid	866,923		866,923	
Road Emergency	215,000		215,000	
Truck License Distribution	161,448		161,448	
Election Refund	8,670	8,670		
Coal Permits	11,925	11,925		
Courthouse Rental - Administrative				
Office of the Courts	99,449	99,449		
Refunds:				
Legal Process Tax	675	675		
Driver Licenses	4,638		4,638	
Dog Licenses	319	319		
Severance Taxes:				
Coal	91,033			
Mineral	327,650			
Board of Assessments	200	200		
Grants:				
Disaster and Emergency Services:				
Reimbursement	5,219	5,219		
Senate Bill 66 - Ambulance	12,899	12,899		
Child Victim Task Force	25,000	25,000		
Reimbursements	110,010	34,863	75,147	
Totals	\$ 4,963,751	\$ 199,219	\$ 1,323,156	\$ 3,022,693

HENDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local	
Government	
Economic	Dry
Assistance	Hydrant
<u>Fund</u>	<u>Fund</u>

\$	\$
----	----

91,033
327,650

<u>\$ 418,683</u>	<u>\$ 0</u>
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HENDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 212,057	\$ 197,747	\$ 7,589	\$ 5,887
Circuit Court Clerk:				
Work Release	21,532			21,532
Jail:				
Telephone Commission Refunds	230,162			230,162
Licenses and Permits:				
Building Permits	23,342	23,342		
Solid Waste Permits	75	75		
Coal Permits - Local	94,580	94,580		
Cable TV Franchise	12,265	12,265		
Charges for Services:				
Planning and Zoning Fees	24,918	24,918		
Royalties	3,116	3,116		
Recycle	7,023	7,023		
Water District	2,016	2,016		
Delta/Carlton Dredging	12,368	12,368		
Insurance Reimbursements	3,586	3,586		
Culvert Sales	17,333		17,333	
Telephone Commissions	430	430		
Reimbursement for Jail				
Commissary Supervisor	20,265			20,265
Reimbursement - (City and Other)	14,548	10,838	1,450	2,260
Miscellaneous Items	57,943	14,257	917	317
Totals	\$ 757,559	\$ 406,561	\$ 27,289	\$ 280,423
Total Operating Revenue	<u>\$ 10,290,144</u>	<u>\$ 5,174,614</u>	<u>\$ 1,350,445</u>	<u>\$ 3,303,116</u>

HENDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local	
Government	
Economic	Dry
Assistance	Hydrant
Fund	Fund

\$	715	\$	119
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<u>42,452</u>	<u></u>
\$ 43,167	\$ 119
<u>\$ 461,850</u>	<u>\$ 119</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HENDERSON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 58,000	\$ 56,612	\$ 1,388
Secretaries	24,000	23,871	129
Office Materials and Supplies	6,900	6,895	5
Equipment and Technology	1,100	1,069	31
Telephone	10,709	10,448	261
Travel	12,500	12,497	3
Office of County Attorney:			
Salaries-			
County Attorney	35,000	34,548	452
Assistant County Attorney	17,650	15,748	1,902
Secretaries	28,560	28,259	301
Telephone	5,000	4,376	624
Office of County Clerk:			
Salaries-			
County Clerk	58,000	56,751	1,249
Deputies	357,840	356,225	1,615
Expense Allowance	3,600	3,462	138
Recording Fees	4,000	3,034	966
Office Materials and Supplies	21,250	20,584	666
Association Membership	1,350	1,350	
Telephone	5,550	5,542	8
Equipment and Repairs	20,850	20,848	2
Conferences and Training	4,950	4,611	339
Printing and Binding	18,800	18,306	494
Tax Bill Preparation	16,500	15,051	1,449

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of Sheriff:			
Salaries-			
Sheriff	\$ 58,450	\$ 56,612	\$ 1,838
Deputies	511,350	507,387	3,963
Bailiffs	102,850	102,288	562
KLEFP	24,575	23,159	1,416
Advertising Tax Bills	10,000	9,647	353
Tax Bill Preparation	6,500	6,375	125
Taxes Postage	1,000	887	113
Conferences and Training	4,000	3,510	490
Telephone	5,800	5,793	7
Transporting Prisoners	36,850	36,836	14
Maintenance and Repair - Radios	9,500	9,466	34
Maintenance and Repair - Vehicles	29,940	29,648	292
Uniforms	4,560	4,556	4
Sheriff Association Dues	1,441	1,440	1
Furniture and Fixtures	1,150	379	771
Materials and Supplies	15,500	15,031	469
Jury Expense	4,650	4,639	11
Motor Vehicles	62,200	61,655	545
Office of County Coroner:			
Salaries-			
County Coroner	10,815	10,421	394
Deputy Coroner	6,825	4,789	2,036
Special Investigators	15,400	15,373	27
Coroner Expense	3,150	3,029	121
Body Transportation	3,850	3,850	
Supplies and Expense	3,175	3,160	15
Conferences, Travel, and Training	1,200	1,164	36
Pagers	1,500	1,402	98
Telephone	1,800	1,784	16

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Fiscal Court:			
Magistrates-			
Salaries	\$ 66,350	\$ 65,847	\$ 503
Expense Allowance	18,000	17,308	692
Advertising	3,300	3,296	4
Legal Fees	11,750	11,733	17
Travel	9,200	9,190	10
Fiscal Court Clerk Salary	28,940	28,903	37
Office of Property Valuation Administrator:			
Telephone	1,300	1,059	241
Statutory Contribution	50,775	50,775	
Office of Board of Assessment Appeals:			
Per Diem	525	400	125
Office of County Treasurer:			
County Treasurer Salary	33,955	33,925	30
Data Processing	3,300	3,282	18
Office Materials and Supplies	2,300	2,209	91
Advertising	500		500
Telephone	900	651	249
Travel	3,500	3,205	295
Computer Upgrade	50,750	50,723	27
Office of County Finance Director:			
County Finance Director Salary	24,045	24,044	1
County Law Library:			
Salaries:			
Law Librarian	650	624	26
Assistant Law Librarian	650	624	26

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Elections:			
Per Diem-			
Election Commissioners	\$ 3,400	\$ 3,360	\$ 40
Election Officers	30,050	30,008	42
Election Advertising	5,250	4,787	463
Election Registration	1,200	573	627
Office Supplies	23,900	21,746	2,154
Voting Machines Transportation	2,800	2,451	349
Planning and Zoning:			
Contribution	104,726	104,690	36
Per Diem	600	600	
Courthouse:			
Custodian Service	54,500	53,339	1,161
Grounds Maintenance	1,300	395	905
Custodial Supplies	9,400	9,283	117
Renewals and Repairs - State	10,100	10,016	84
Renewals and Repairs	37,900	37,873	27
Utilities	22,130	22,060	70
Insurance	81,550	81,528	22
Other County Properties:			
Airport:			
Maintenance	78,370	78,361	9
Building Code Enforcement:			
Salaries	27,370	27,335	35
Office Supplies	500	405	95
Telephone	800	707	93
Mileage	2,650	2,574	76

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u>			
Disaster and Emergency Services:			
Director Salary	\$ 22,535	\$ 22,250	\$ 285
Office Materials and Supplies	750	704	46
Telephone	1,400	880	520
Ambulance Service:			
Ambulance Service Costs	93,200	93,181	19
Forestry Fire Protection:			
Kentucky State Treasurer	898	898	
Office of Public Defender:			
Contribution	9,100	9,079	21
<u>General Health and Sanitation</u>			
Water System:			
Waterline Extension Project	40,000	40,000	
Tri-County Recycling Program	15,100	15,055	45
<u>Recreation and Culture</u>			
Tourist and Convention:			
Tourist Commission Room Tax	141,645	141,582	63
<u>Capital Projects</u>			
Special Fund Reserve	420,000	173,386	246,614
Land Acquisition	538,050	537,316	734

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u>			
Auditing	\$ 8,600	\$ 8,592	\$ 8
Kentucky Coal Coalition	2,750	2,750	
County Association Membership	3,650	3,603	47
Green River Area Development			
District Membership Dues	10,140	10,140	
Kentucky Association of Counties			
Membership Dues	200		200
Surplus Property Reimbursement	1,100	1,366	(266)
Refunds	6,200	6,173	27
Contingent Appropriations:			
Reserve for Transfers	1,800	1,781	19
Fringe Benefits:			
County Contributions-			
Social Security	111,900	111,655	245
Retirement	107,100	107,087	13
Life Insurance	3,800	3,779	21
Health Insurance	132,500	132,101	399
Worker's Compensation	22,555	22,555	
Total General Fund	\$ 4,154,299	\$ 3,870,169	\$ 284,130

ROAD AND BRIDGE FUND

Roads

Office of Road Supervisor/Engineer:			
County Engineer - Hourly	\$ 56,550	\$ 56,108	\$ 442
Road Supervisor Salary	32,800	32,758	42

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Roads</u> (Continued)			
Road Maintenance:			
Salaries-			
Road Foreman	\$ 26,250	\$ 25,976	\$ 274
Mechanics	52,050	51,897	153
Equipment Operators	103,050	103,048	2
Truck Drivers	231,300	231,260	40
Senior Truck Drivers	63,600	63,521	79
Secretary	25,950	24,133	1,817
Garage Attendant	6,400	5,173	1,227
Asphalt	471,500	471,492	8
Rock Materials	99,860	99,860	
Cold Mix - Patching	400		400
Machinery and Equipment-			
Repairs	269,600	269,580	20
New Road Machinery	179,200	179,193	7
Pipes	52,700	52,689	11
Salt Storage Facility	5,950	5,339	611
Dust Control	6,000	5,980	20
Drug Testing	1,250	930	320
Federal Emergency Management Service:	142,000	141,687	313
Underground Storage Removal	47,000	45,187	1,813
Office Supplies	5,500	5,350	150
Utilities	11,200	10,772	428
Insurance	70,800	70,797	3
Telephone	4,400	4,342	58
Miscellaneous	350	337	13
<u>Capital Projects</u>			
Bridges:			
Contracted Construction	39,700	39,690	10
Streets and Highways:			
Contracted Construction	223,240	223,145	95

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 43,300	\$ 42,597	\$ 703
Social Security	42,500	41,276	1,224
Life Insurance	1,650	1,603	47
Health Insurance	86,798	86,749	49
Worker's Compensation	13,302	13,302	
Total Road and Bridge Fund	\$ 2,416,150	\$ 2,405,771	\$ 10,379

JAIL FUND

Protection to Persons and Property

Office of Jailer:

Personnel Services-

Salaries-

Jailer	\$ 57,750	\$ 54,642	\$ 3,108
Jail Personnel	770,878	765,927	4,951
Class D Coordinator	23,000	23,000	
Other Staff	3,110	3,104	6
Jail Commissary Supervisor	32,040	29,222	2,818
Secretary	20,250	20,247	3
Cooks	22,700	22,694	6
Programs Coordinator	8,010	8,010	
Jail Nurse	44,700	44,673	27
Maintenance Supervisor	19,600	19,523	77
Association Dues	550		550

Operations-

Cleaning Supplies	55,807	55,369	438
Data Processing	10,500	10,444	56
Food	471,085	470,997	88
Food Preparation and Serving Supplies	10,000	8,668	1,332
Food Service Equipment	8,180	7,077	1,103
Jail Linens	4,130	4,119	11

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Office of Jailer: (Continued)			
Operations- (Continued)			
Pest Control	\$ 2,500	\$ 1,734	\$ 766
Office Supplies	14,360	14,352	8
Prisoner Clothing	3,500	3,291	209
Prisoner Hygiene	3,400	676	2,724
Routine Medical	142,550	140,231	2,319
Staff Uniforms	10,060	10,057	3
Staff Training and Travel	20,000	15,384	4,616
Utilities	80,000	76,022	3,978
Telephone	15,925	15,923	2
Communications Equipment	6,000	4,433	1,567
Furniture and Fixtures	4,000	3,869	131
Other Equipment	4,000	3,820	180
Storage Building	36,000	35,449	551
Juveniles - Contracted Housing	282,600	280,925	1,675
Holding Inmates - Contracted	3,000	2,650	350
Vehicles	52,270	52,267	3
Miscellaneous	3,000	2,754	246
Maintenance-			
Building Repairs	12,900	12,889	11
Equipment Repairs	10,100	10,049	51
<u>Capital Projects</u>			
Buildings and Construction:			
Jail Construction	138,193	137,347	846
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	55,420	55,254	166
Social Security	74,500	70,314	4,186

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Fringe Benefits:(Continued)			
Life Insurance	\$ 3,000	\$ 2,884	\$ 116
Health Insurance	92,580	92,571	9
Worker's Compensation	22,000	21,979	21
Total Operating Budget	\$ 2,654,148	\$ 2,614,840	\$ 39,308
Other Financing Uses:			
Transfers to Public Properties Corporation Fund	550,850	550,850	
Total Jail Fund	\$ 3,204,998	\$ 3,165,690	\$ 39,308

LOCAL GOVERNMENT ECONOMIC
ASSISTANCE FUND

Roads

Road Maintenance:			
Cold Mix For Patching	\$ 1,000	\$	\$ 1,000

General Government

Economic Development Council	45,000	45,000	
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Protection to Persons and Property

County Fire Department:			
Fire Department - Improvement	10,045	10,045	
Arson Investigator	3,000	3,000	
Community Fire Department	74,250	69,000	5,250
Emergency Dispatch Service:			
911 Communications Center	136,371	82,919	53,452
Communications Equipment	2,500		2,500

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
LOCAL GOVERNMENT ECONOMIC <u>ASSISTANCE FUND</u> (Continued)			
<u>General Health and Sanitation</u>			
Pest Eradication Program:			
Mosquito Control	\$ 4,000	\$	\$ 4,000
Dog Control:			
Humane Society	55,000	55,000	
Sanitary Landfill:			
Landfill and Solid Waste	367,173	367,173	
Solid Waste Collection:			
Solid Waste - Green Boxes	4,000	3,825	175
Sewage Treatment:			
Construction - Robards	40,000	32,096	7,904
Bus Services:			
Busing Parochial Students	30,000	30,000	
Other Health Programs:			
Livestock Inspector	100	100	
Soil and Water Conservation	25,001	25,000	1
<u>Social Services</u>			
Services to Indigents:			
Hospital - Indigent Care	10,000	10,000	
Pauper Burials	1,800	1,800	
Pharmaceutical Services	2,000	1,209	791
Volunteer and Information Center	2,155	2,155	
Grocery Orders	2,500	924	1,576

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)</u>			
<u>Social Services (Continued)</u>			
Senior Citizens Programs:			
Senior Companion	\$ 3,500	\$ 3,500	\$
Senior Citizens	4,000	4,000	
Foster Grandparents	1,000	1,000	
Other Social Services Programs:			
One-Time Contribution	3,000	1,500	1,500
Human Rights	22,205	13,716	8,489
Victims Assistance-			
Spouse Abuse	4,500	4,500	
Child Victim Task Force	6,000	6,000	
Involvement	12,000	12,000	
<u>Recreation and Culture</u>			
Juvenile Recreation	11,800	11,800	
Christmas Parade	500	500	
Celebrations, Festivals, and Cultural Programs:			
Operation Community Pride	1,500	1,500	
Downtown Henderson Project	1,500	1,500	
<u>Transportation Facilities and Services</u>			
Boat Ramps	10,000		10,000
<u>Debt Service</u>			
Gradall Payment - Road Equipment	42,925	42,920	5

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)			
<u>General Services</u>			
Miscellaneous Appropriations	\$ 11,000	\$ 10,000	\$ 1,000
Contingent Appropriations:			
Reserve for Budget Transfers	205		205
Total Local Government Economic Assistance Fund	\$ 951,530	\$ 853,682	\$ 97,848
<u>DRY HYDRANT FUND</u>			
Dry Hydrant Expense	\$ 5,515	\$ 0	\$ 5,515
Total Operating Budget - All Funds	\$ 10,181,642	\$ 9,744,462	\$ 437,180
Other Financing Uses:			
Transfers to Public Properties Corporation Fund	550,850	550,850	
TOTAL BUDGET - ALL FUNDS	\$ 10,732,492	\$ 10,295,312	\$ 437,180

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Sandy L. Watkins, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Henderson County Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated April 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations, included herein.

- The Fiscal Court Should Adopt An Administrative Code
- The Jailer Implemented Additional Internal Controls And Improved The Accounting System Of The Jail Commissary Fund After June 30, 1999
- The Jailer Implemented Proper Budgetary Procedures For The Jail After June 30, 1999

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Honorable Sandy L. Watkins, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Henderson County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations, included herein.

- The Fiscal Court Should Adopt An Administrative Code
- The Jailer Implemented Additional Internal Controls And Improved The Accounting System Of The Jail Commissary Fund After June 30, 1999
- The Jailer Implemented Proper Budgetary Procedures For The Jail After June 30, 1999

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- The Jailer Implemented Additional Internal Controls And Improved The Accounting System Of The Jail Commissary Fund After June 30, 1999
- The Jailer Implemented Proper Budgetary Procedures For The Jail After June 30, 1999

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 21, 2000

COMMENTS AND RECOMMENDATIONS

HENDERSON COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1999

1) The Fiscal Court Should Adopt An Administrative Code

The fiscal court has not adopted an administrative code as required by KRS 68.005. The County Judge/Executive submitted an administrative code to the fiscal court on October 12, 1993. However, during fiscal year ended June 30, 1998, the administrative code had yet to be approved by the fiscal court. We recommend the fiscal court approve an administrative code.

Sandy L. Watkins, Henderson County Judge/Executive's Response:

Henderson County adopted a Personnel Policy on December 2, 1997, a Code of Ethics in December 13, 1994, and an Investment Policy reviewed annually, the last date being on January 5, 1999. The Courts intention is to have a complete Administrative Code by year-end 2000, to fulfill the requirements of the law. We could adopt a generic code at anytime but we have chosen to write a working document that will be utilized and not end up as a shelf document.

2) The Jailer Implemented Additional Internal Controls And Improved The Accounting System Of The Jail Commissary Fund After June 30, 1999

The Jailer employed an administrative assistant on July 1, 1999 to maintain up-to-date financial records of the Jail Commissary Fund and other operations of the Jail. In addition, the Jailer reconstructed the financial records of the Jail Commissary Fund for the period of July 1, 1998 through June 30, 1999. The State Local Finance Officer has issued guidelines for minimum accounting and reporting standards pursuant to KRS 68.210 and KRS 441.135 for the Jail Commissary Fund. During our audit we noted:

- Bank statements were not reconciled to the checkbooks or receipts and disbursement ledgers each month. However, bank statements were reconciled after June 30, 1999.
- Receipts and disbursements ledgers were not maintained on a monthly basis. However, receipts and disbursements ledgers were prepared after June 30, 1999.
- A record of receipts and disbursements for Circuit Court ordered payments was not maintained.
- A year-end report of Jail Commissary receipts and disbursements was not prepared in the form required by the Department for Local Government. However, this report was prepared and will be submitted to the County Treasurer.

We commend the Jailer and jail staff for their efforts to implement an adequate internal control system and improved accounting system.

Sandy L. Watkins, Henderson County Judge/Executive's Response:

None.

Miles Hart, Henderson County Jailer's Response:

Thank you. I will strive to maintain internal control of our accounting system. A Receipt Ledger is now being kept in the booking/bonding area of any monies that is received by booking/bonding department. The annual commissary reports have been submitted to the County Judge Executive's office.

HENDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1999
(Continued)

3) The Jailer Implemented Proper Budgetary Procedures For The Jail After June 30, 1999

The jail had \$26,124 of expenditures that were not posted to the budget of the Jail Fund maintained by the County Treasurer during fiscal year ending June 30, 1999. Cancelled checks and proper documentation supported these expenditures. These expenditures were paid from an account maintained by the Jailer to supplement the line items of the Jail Fund budget. The source of funding for this account was from soft drink commissions, prisoners funded transports, and square footage rent from the commissary store. The Jailer also used this fund to provide money to officers to purchase fuel and food for themselves and inmates so that a financial burden was not placed on these officers.

The Jailer now uses this account to advance the officers funds to cover travel, lodging, and food costs for training and transportation of prisoners. The transportation officers then submit receipts and any unused cash back to the Jailer. These expenditures are then submitted to the Fiscal Court for reimbursement and are posted to the budget of the Jail Fund.

We recommend that the Jailer retain the funds necessary to continue to meet these expenses and transfer the balance of these funds to the County Treasurer. Income earned from the rent account should then be transferred to the County Treasurer on a monthly basis.

Sandy L. Watkins, Henderson County Judge/Executive's Response:

None.

Miles Hart, Henderson County Jailer's Response:

None.

PRIOR YEAR FINDINGS

In the prior year audit report, we made the following comments and recommendations.

- 1) These findings had not been corrected as of June 30, 1999, and have been commented on in the current audit report:
 - The Fiscal Court Should Adopt An Administrative Code
 - The Jailer Should Improve The Internal Controls And Accounting Systems Of The Jail Commissary Fund
 - The Jailer Should Follow Proper Budgetary Procedures For Jail Fund Expenditures
- 2) These prior year noncompliances have been corrected:
 - The County Should Have A Written Agreement To Protect Deposits
 - The Jailer Should Maintain Sufficient Documentation To Support Expenditures Of The Jail Commissary Fund

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

HENDERSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

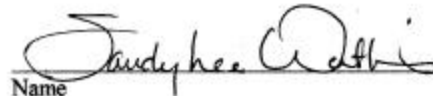
Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HENDERSON COUNTY FISCAL COURT

The Henderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

HENDERSON CITY-COUNTY PLANNING COMMISSION
AUDITED FINANCIAL STATEMENTS
JUNE 30,1999

CRAFTON, WILSON & CO.,LLP, CPA
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HENDERSON, KENTUCKY 42420-3175

